

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER:

0 3 — 0 6

2. STATE:

Maryland

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

Medicaid

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

See Attached

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 \$ -0-

b. FFY 2003 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19 A & B
pages 2-A and 2-Aa

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachement 4.19 a & B
pages 2-A and 2-Aa (01-6)

10. SUBJECT OF AMENDMENT:

This amendment is needed to reflect changes in the regulations
related to reimbursement for inpatient psychiatric services.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

Susan J. Tucker, Executive Director
Office of Health Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Georges C. Benjamin

13. TYPED NAME:

Georges C. Benjamin, M.D.

14. TITLE:

Secretary

15. DATE SUBMITTED:

September 27, 2002

16. RETURN TO:

Susan J. Tucker, Executive Director
OHS - DHMH
201 West Preston Street, Suite 124
Baltimore, Maryland 21201

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

10/1/02

18. DATE APPROVED:

12-20-02

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2002

20. SIGNATURE OF REGIONAL OFFICIAL:

Brian Dennis Smith

21. TYPED NAME:

Charlene Brown

22. TITLE:

Deputy Director, CMSO

23. REMARKS:

State Of Maryland

producing departments and are periodically adjusted for such items as inflation, volume change, and pass-through costs. HSCRC rates are made pursuant to the uncompensated care methodology of the HSCRC rate setting system. This methodology is described at pages 21-A through 21-A-7 of this Attachment.

b. The Maryland Department of Health and Mental Hygiene will make no direct reimbursement to any Maryland State-operated chronic, psychiatric, or tuberculosis facility.

c. An acute general or special hospital other than private psychiatric hospitals, whose rates have not been approved by the Health Services Cost Review Commission, will be reimbursed according to one of the following:

(1) The State will pay according to Medicare standards for retrospective cost reimbursement described in 42 CFR Part 413 or on the basis of charges if less than reasonable cost. For all inclusive rate providers that include provider based physician services, an average cost per day for provider based physician services will be developed and paid in accordance with retrospective cost reimbursement principles. In calculating retrospective cost reimbursement rates, the Department or its designee will deduct from the designated costs or group of costs those restricted contributions which are designated by the donor for paying certain provider operating costs, or groups of costs, or costs of specific groups of patients. When the cost, or group, or groups of costs, designated cover services rendered to all patients, including Medical Assistance recipients, operating costs applicable to all patients will be reduced by the amount of the restricted grants, gifts, or income from endowments thus resulting in a reduction of allowable costs. Payment for administrative days will be according to: (1) A projected average Medicaid nursing home payment rate, or (2) if the hospital has a unit which is a skilled nursing facility, a rate which is the lesser of that described in (1) or the allowable costs in effect under Medicare for extended care services to patients of such unit.

d. Private psychiatric hospitals in Maryland will be reimbursed by a prospective payment system consisting of a rate set by the Health Services Cost Review Commission pursuant to HSCRC methodology, and modified for cost based reimbursement. Currently, Medicare and Medicaid do not use the HSCRC rates for inpatient psychiatric hospitals. The HSCRC does set rates for private psychiatric hospitals for commercial payors using three (3) categories of inpatients, Adolescents, Adults and Geriatrics. Rates for psychiatric hospitals are established by rate centers based on each facility's allowable costs defined by HSCRC standards. These unit rates are established for the following service centers in the psychiatric hospitals: admission, ambulance service, audiology, CT scanner, drugs sold, clinic services, electroencephalographs, electrocardiographs, electroconvulsive therapy, group therapies, individual therapy, laboratory services, magnetic resonance scanner, medical supplies sold, psychiatric (adult), psychiatric (child/adolescent), psychiatric day & night care, psycho- (therapeutic), and recreational therapy. (Note that all service centers are not available in every psychiatric hospital.)

Attachment 4.19 A & B
Page 2-Aa

Ancillary costs are billed separately and are paid at cost plus a predetermined markup. The markup is based on a three-year rolling average of the hospital's bad debt and allowable payer differentials.

The rates are based on the rates established under the methodology described above. The HSCRC rate is further modified to a percentage of the reductions including bad debt, discounts, 90% of capitol cost, public relations, lobbying and certain educational expenses. Review of cost reports and revenue statements produced a 16% reduction on average and establishes the recommended PPS rate at 84% of the HSCRC rate. Payment for administrative days will be according to: (1) A projected average Medicaid nursing home payment rate, or (2) the administrative day rate for recipients waiting placement in a residential treatment center.

TN No.: 03-06
Supersedes
TN No.: 01-06

Approval Date 12-20-02 Effective Date 7-1-02